

Message Text

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ACTION NEA-16

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-03

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R 281020Z AUG 74

FM AMEMBASSY KATHMANDU

TO SECSTATE WASHDC 9310

C O N F I D E N T I A L KATHMANDU 3525

E.O. 11652:GDS

TAGS: EAID, NP, US

SUBJECT: SURKHET ROAD

REF: STATE 186243

SUMMARY: MY SUMMARY OF THE SURKHET ROAD SITUATION WAS RECEIVED BY THE KING IN A CORDIAL ATMOSPHERE BUT WITHOUT ANY COMMENT BY HIS MAJESTY. MEANWHILE, AMBASSADOR KHANAL'S REQUEST FOR HIGH LEVEL DISCUSSIONS IN WASHINGTON IN SEPTEMBER ON TOPICS TO INCLUDE THE NEPALESE-SURKHET ROAD SUGGESTS THAT THE GON, NOTWITHSTANDING ITS LETTER OF AUGUST 14, HAS NOT GIVEN UP HOPE THAT THE US WILL PARTICIPATE IN THE PROJECT. END SUMMARY

1. DURING MY SESSION WITH THE KING ON AUGUST 27 ON NARCOTICS I ALSO RAISED WITH HIM THE SURKHET ROAD ISSUE. DRAWING ON REFTTEL, I DISCUSSED THE QUESTION ALONG FOLLOWING LINES:

A. I WAS GLAD TO NOTE IN THE RECENT BUDGET PRESENTATION TO THE RASTRIYA PANCHAYAT THAT THE GON IS PROJECTING A SIGNIFICANT INCREASE IN BOTH GRANT AID FROM FOREIGN DONORS AND AID FROM LOANS IN FY 74/75. NEPAL WAS AN ENVIABLE RECORD AS A RECIPIENT OF AID AND TECHNICAL ASSISTANCE FROM MANY INTERNATIONAL INSTITUTIONS AND NUMEROUS BILATERAL DONORS.

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B. THE UNITED STATES HAS BEEN PLEASED TO PARTICIPATE IN NEPAL'S DEVELOPMENT WITH ASSISTANCE PROGRAMS FOR MORE THAN A QUARTER OF A CENTURY. WE LOOK FORWARD TO A CONTINUING CLOSE RELATIONSHIP WITH HIS MAJESTY'S GOVERNMENT IN THE ASSISTANCE FIELD IN THE YEARS AHEAD.

C. THE UNITED STATES IS INVOLVED IN THE DEVELOPMENT OF NEPAL NOT ONLY BILATERALLY, BUT THERE IS ALSO A HEAVY US CONTRIBUTION TO MULTILATERAL AGENCIES WITH SIGNIFICANT PROGRAMS IN NEPAL. FOR EXAMPLE, ON THE MULTILATERAL FUNDING SIDE, THE UNITED STATES CONTRIBUTES ABOUT 27.4 PERCENT TO IBRD, 37 PERCENT TO IDA, 20 PERCENT TO ADB, 31 PERCENT TO FAO AND 31.5 PERCENT TO UNDP. IN APRIL 1974 THE UNITED STATES CONTRIBUTED \$50 MILLION TO THE ADB SPECIAL FUND.

D. IN RELATION TO OUR BILATERAL PROGRAMS, WE WERE PLEASED TO OBTAIN APPROXIMATELY \$24 MILLION IN INDIAN RUPEE EQUIVALENT UNDER OUR AGREEMENT WITH INDIA. THIS WILL ENABLE US TO CONTINUE GRANT AID PROJECTS IN NEPAL OVER THE NEXT SEVERAL YEARS AT LEVELS COMMENSURATE WITH THE LEVELS OF PAST YEARS. AS A PERSONAL VIEW, I HOPE THAT LEGISLATIVE AUTHORITY IN THE UNITED STATES MAY BE FOUND IN THE FUTURE TO MAKE GRANT DOLLARS INCREASINGLY AVAILABLE FOR ASSISTANCE TO THE LEAST DEVELOPED COUNTRIES.

E. WHILE I AM PERSONALLY VERY REGRETFUL THAT IT HAS NOT BEEN POSSIBLE TO REACH AGREEMENT ON THE FINANCING OF THE SURKHET ROAD - AND WE HAVE NOW RECEIVED FROM THE MINISTRY OF FINANCE THE DECISION OF THE GON TO UNDERTAKE THE CONSTRUCTION OF THIS ROAD ON ITS OWN - WE REMAIN COMMITTED, AS WE HAVE OVER THE LONG PERIOD OF OUR AID ASSOCIATION, TO ASSIST YOUR DEVELOPMENT EFFORTS WHENEVER WE CAN IN PROJECTS THAT WILL CARRY THE BENEFITS OF ASSISTANCE DIRECTLY TO THE PEOPLE. THIS IS IN KEEPING WITH YOUR OWN DEVELOPMENT GOALS AS YOU HAVE STATED THEM, AS WELL AS WITH THE CONGRESSIONAL MANDATES WHICH GOVERN OUR AID OPERATIONS. WE WILL WELCOME FURTHER SUGGESTIONS AND PROPOSALS FROM THE NEPALESE AUTHORITIES FOR OUR PARTICIPATION IN OTHER PRIORITY NEPALESE DEVELOPMENT PROJECTS, FOR WHICH FUNDS PREVIOUSLY EARMARKED FOR THE SURKHET ROAD AND OTHER FUNDING WILL BE AVAILABLE.

F. I AM ASKED TO TELL YOU THAT WE WILL MAKE A SPECIAL EFFORT
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TO EXPEDITE PROJECT PLANNING AND THE DEVELOPMENT OF NEW PROJECTS SO THAT THE FLOW OF DEVELOPMENT RESOURCES TO NEPAL WILL BE FACILITATED. OUR NEW DIRECTOR OF USAID IN NEPAL, MR CHARLES GRADER, REACHED KATHMANDU AT THE END OF LAST WEEK. HE WILL BE GIVING HIGH PRIORITY IN HIS DISCUSSIONS WITH OFFICIALS IN THE MINISTRY OF FINANCE AND OTHER RELEVANT MINISTRIES TO THE DEVELOPMENT OF SUCH PROJECTS.

G. WITH REFERENCE TO THE LAST SENTENCE OF DEVENDRA RAJ PANDAY'S LETTER OF AUGUST 14, 1974, I CAN ASSURE YOU THAT YOU WILL HAVE THE CONTINUED UNDERSTANDING, SUPPORT AND COOPERATION OF THE UNITED STATES IN NEPAL'S DEVELOPMENT EFFORTS. WE LOOK FORWARD TO A CONTINUATION OF THAT OPENNESS AND COOPERATIVENESS WHICH HAVE CHARACTERIZED OUR LONG ASSISTANCE RELATIONSHIP.

2. THE KING GAVE HIS FULL ATTENTION TO THIS PRESENTATION AND CHIRAN THAPA, WHO WAS ALSO PRESENT, MADE CAREFUL NOTES. HOWEVER, THE KING ASKED NO QUESTIONS AND MADE NO COMMENTS OF ANY KIND, ALTHOUGH THERE WERE PLENTY OF OPPORTUNITIES FOR HIM TO DO SO. HOWEVER, THE ATMOSPHERE OF THE CONVERSATION WAS CORDIAL THROUGHOUT. THE KING NODDED AGREEMENT TO MY REFERENCES TO OUR READINESS TO CONTINUE TO ASSIST NEPALESE DEVELOPMENT EFFORTS AND TO WORK CLOSELY WITH NEPALESE OFFICIALS IN THE PREPARATION OF SUITABLE PROJECTS. AT THE CONCLUSION OF THE MEETING, HIS MAJESTY TWICE SAID THAT HE WOULD BE VERY GLAD TO SEE ME ON ANY SUBJECT AT ANY TIME AND THAT I SHOULD NOT HESITATE TO SEEK APPOINTMENTS WITH HIM. THIS WAS ALSO REPEATED BY CHIRAN THAPA AS WE LEFT THE AUDIENCE CHAMBER.

3. COMMENT: THE KING WAS ENTIRELY AFFABLE DURING THE MEETING, BUT HE DID NOT SAY WORD ONE ABOUT WHAT WE KNOW TO BE ONE OF HIS FAVORITE PROJECTS. HOWEVER, STATE 188614, JUST RECEIVED, INDICATES THAT WE MAY NOT HAVE HEARD THE LAST OF THE SURKHET ROAD PROBLEM AND THAT THE NEPALESE DO WISH DISCUSSIONS ON THE SUBJECT WHILE FONMIN KARKI AND STATEMIN THAPA ARE IN WASHINGTON IN LATE SEPTEMBER. THERE IS AN APPARENT INCONSISTENCY BETWEEN THE FINANCE MINISTRY'S LETTER OF AUGUST 14 ANNOUNCING THAT THEY WOULD DO THE PROJECT THEMSELVES AND THE REOPENING OF DISCUSSIONS WITH US ON THE PROJECT, WHICH IS EVIDENTLY INTENDED BY THEIR REQUEST FOR HIGH LEVEL DISCUSSIONS IN WASH-
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INGTON. WE WILL PROVIDE YOU AS MUCH INFORMATION AND ANALYSIS AS WE CAN OF WHAT THE GON REPRESENTATIVES WILL BE SEEKING IN THE WASHINGTON DISCUSSIONS.
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Message Attributes

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